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ABSTRACT: Some of the most important trends emerging at the intersection of the Internet and your money are presented. The developments listed are in the areas of access, shopping, finances and security and privacy.

TEXT: How the Internet Will Transform Your Finances

THESE FOUR DEVELOPMENTS WILL CHANGE THE WAY YOU ACCESS THE WEB, SHOP ONLINE, MANAGE OUR MONEY AND MAINTAIN OUR SECURITY AND PRIVACY.

WAY BACK IN 1994 a bunch of computer programmers created a little software application called Netscape, which brought graphics and pictures to the newly created World Wide Web. a At that time, a negligible percentage of all retail stock trades were placed online. Six years later that number is approaching 55%. In other contexts the Internet seems perpetually overhyped, but when it comes to your money, its impact has already been momentous. Whether we're finding great deals on stereos, comparing the prices of insurance policies or balancing our stock portfolios, our lives are being affected by the Internet every day to a degree hardly imaginable even a few years ago. And there's no doubt that the Net's influence will only increase. But how? And when? With the scores of "revolutionary" new e-commerce companies out there, how can you separate the hype from the reality? That's where we come in. We decided to take a look at some of the most important trends emerging at the intersection of the Internet and your money To help us identify those that are most likely to impact your life, we talked to market research analysts, futurists who focus on broad social trends and executives at the companies that will be implementing the new products and services we'll be using in our everyday lives. Sorting out the virtually inevitable from the never-to-be-seen-again, we identified a handful of movements in four major areas that look like they have the best chances of becoming reality Some (such as the wireless revolution) have already begun; others may be a few years away. We avoided the farfetched (Internet-assisted time travel, anyone?) and focused on a realistic look at where we're headed-and what it all might mean to your pocketbook.
TREND NO. 1: ACCESS THE INTERNET EVERYWHERE

Forget about getting online. Soon we'll simply be onlineeverywhere, all the time. The year 2001 will be the year that high-speed pipes, constant connections and ubiquitous access hit critical mass.

Let's face it, the Internet just doesn't work very well right now for most people. We dial in, wait for pages to download and hope no one else in the house needs the computer. Half the time, it would be faster just to get in the car and drive over to Barnes & Noble for the darn book. Beyond that, we're still restricted to exploring the wonders of the Net while sitting at home-not too handy when we need driving directions in the car, a stock quote on the train or a hotel reservation in a plane cruising at 30,000 feet. Thankfully, all that is soon to change.

Broadband. Poky access is probably the biggest impediment standing in the way of the Internet becoming a full-fledged mass medium. Most of us, after all, still get by at home with 56k or 28k modems. Compared with the superfast TI or T3 connections many of us use at work, that's puttering along the information superhighway in first gear. And speed is crucial:

Downloading a 30second video clip with a 56k modem can take 15 minutes; with a Ti line, it's just a few seconds.
After years of false starts, however, broadband online accessboasting speeds up to 100 times faster than a 28k modemwill soon be arriving at a majority of Americans' homes, either in the form of cable modems (offered by cable companies) or digital subscriber lines (provided by phone companies). Today only 44% of homes have access to cable modems, while a mere 24% can subscribe to DSL (and only a tiny percentage of these actually subscribe to either). By 2004, however, the numbers are expected to grow to 79% and 70%, respectively And prices have already started dropping. Cable modem and DSL rates average roughly $40 a month nationwide and will fall further as competition between the technologies and popularity among consumers increases.

Interactive TV. If, thanks to higher connection speeds, surfing the Net is destined to become more like watching television, then the long-prophesied convergence of TV and the Net may finally be around the corner. With ITV, you can buy stock in Intel on the same screen on which you're watching Maria Bartiromo, or exchange instant messages with your friends while watching Survivor 11. And because the signal will be coming over your cable line, access will be markedly faster than dialing up on your PC. America Online, in fact, is gearing up to launch AOLTV this fall with a set-top box retailing for about $249 that will allow you to surf the Net on your television set. Although Microsoft's similar foray into Interactive TV (dubbed WebTV) has never really taken off, faster Net connections and the weight of AOL's 24 million subscribers may be the magic combination to usher in the age of convergence. (AOL is in the process of merging with MONEY's parent, Tune Warner.)

Wireless. The most radical change coming to Internet access will be portability. Today the only Palm hand-held organizer that comes with a built-in modem is the Palm VII, which at $399 (and $45 a month for unlimited Internet service) has found an enthusiastic, if limited, audience. But by 2001, Palm will release Internet access software that will make most models compatible with snap-on modems sold separately Palm VII users can already place wireless travel reservations, make purchases at Amazon.com and trade stocks on their E-Trade accounts. Other PDA makers, like the producers of Handspring Visors and Windows CE devices, will likely join the fray in 2001 or 2002.

And then there are cell phones-the real battleground for wireless transactions. "Cell phones will pre-empt the adoption of PDAs," asserts Seema Williams of Forrester Research, who believes that as consumers look to consolidate the personal-information devices, cellular phones will be the winners. The Yankee Group, a telecommunications research firm, estimates that there will be more than 15 million Web-enabled wireless phones by the end of this year. And next year manufacturers will roll out the next generation, version 2.5 (version 1 was analog; 2 was digital), which will allow for faster access and enable the transmission of color images and graphics. By 2003, the much anticipated 3G (third generation) wireless phones will hit the market, allowing for access so fast that live, real-time videoconferencing on your cell phone will be a reality:

TREND NO. 2: SHOPPING BACK TO THE BAZAAR

Although the deep discounts now found online probably can't last, the Net is eroding the very idea of the fixed price tag. From online auctions to dynamic pricing, be prepared for more creative shopping models than ever.

It wasn't long ago that the only interesting thing about pricing on the Internet was that it was so much lower than your neighborhood store. Early retailers such as Amazon.com were trying to grab market share fast, often selling products at substantial discounts-sometimes below their own costs. Since then, however, pioneers in the way we buy products have emerged, attempting to change the very structure of commerce. With online sales growing from $20 billion in 1999 to $39 billion this year to more than $100 billion by 2002, everyone on the Web is trying to build a better mousetrap.

And because online retailers have fallen under increased pressure to actually turn a profit, the discounts of the past few years are starting to fall away, leaving companies like Buycom, Pets.com and eToys fighting for their virtual lives. Though prices are still key in consumers' minds, retailers are turning prices into more fluid entities, making comparison a much trickier business.

Auctions. The magnitude of eBay's impact should not be underestimated-it was the first shot in the Internet's continuing upheaval of traditional merchantcustomer relationships. EBay didn't just pioneer the Internet auction model, it created a venue where people could trade directly with one another and small merchants could tap a market of literally millions of potential consumers. Priceline, the hotel-room and plane-seat auction site, messes with old formulas even more. Rather than having airlines dictate prices, Priceline creates a marketplace where users declare how much they want to spend. Airlines are then free to accept or not accept those prices. But in terms of model bending, eBay and Priceline are just the beginning.

Content on demand. Until recently, downloading content from the Internet hasn't garnered much mass appeal. Then came Napster, the website that allows people to swap songs and download virtually any record on the planet for free. For the first time, it became clear that the online delivery of entertainment could be big. Very big. Though it looks increasingly likely that downloading music for free will be declared illegal, the phenomenon has motivated not just the record labels but the entire entertainment industry to rethink how they will get their products to you in the future. As broadband becomes a reality, more movie, music and video-game companies will attempt to thwart Napster knockoffs by making their wares available online in a way that benefits both you (more convenience, slightly lower prices, guaranteed reproduction quality, virus protection) and them (some payment, as opposed to nothing at all). You'll pay anywhere from a few bucks for a song or single viewing of a film to $50 to $60 for an annual subscription that grants you access to a company's complete library of music or videos.

Dynamic pricing. Prices on the Internet are, of course, already a moving target. More so than brick-and-mortar stores, online retailers can change their prices quickly and easily And as retailers become more sophisticated in capturing and analyzing individual customer information, more and more will attempt what is called dynamic pricing-charging different people different prices for the same product based on their past sensitivity to pricing premiums or discounts. Aha, but here's the twist: Consumers may not embrace this idea, as Amazon found out in September, when it was forced to offer refunds to irritated customers who divined that they were paying more than others for DVDs. Likewise, it's unclear whether retailers' attempts to get customers to pay different prices can keep pace with technologies designed to thwart just such initiatives-notably shopping comparison sites, also known as shopping hots (see our story on page 104). As bots get more popular, explains Forrester's Williams, "retailers are going to have to find a way to combat that, and one of the ways to do that is to play with prices and packages." That means an online electronics retailer might offer a package that includes both the camcorder you're looking for and a bundle of batteries, a carrying case and videotapes. "Nobody else has the same thing," says Williams, "so it's not comparable. It's an individual price, perhaps just for you." The message for consumers: Online shopping will become more personalized, but bargains may not be as easy to spot.

TREND NO. 3: FINANCES

E PLURIBUS UNUM

One-stop financial shopping won't happen anytime soon-but one-stop financial data consolidation will.

For at least 25 years the grand convergence theory of personal finance has been that things will get simpler. Eventually all of your checking, saving, investing and insurance would be provided by a kind of iiberbank, all in

one place. And the reigning wisdom lately has been that the Net would expedite that convergence by greasing the skids of disintermediation-that is, removing the middlemen between the consumer and the ultimate provider of a service. That's a nice idea, but reality is proving to be more complex.

infomediaries. Most regulatory restraints on banks have fallen away, but no bank has yet successfully transformed itself into the prophesied one-stop financial supermarket. Indeed, a host of online financial services start-ups such as MyMoneyPro, FolioFN and MetaMarkets.com-not to mention dozens of online banks and brokerages-have proved that the Internet is widening investment choices, not narrowing them.

In fact, says Paul Saffo of the Institute for the Future, a California think tank, the growth of the Web has actually created a process he calls reintermediation-opportunities for middlemen that didn't exist before. Case in point, and a phenomenon that may be the future of personal finance: account aggregators. These online companies Yodlee, VerticalOne and OnMoney just to name a few-pull together all of the info on your various credit-card, bank, utilities and investment accounts into one easily accessible Web page.
At first, large banking and investment institutions resisted aggregators. In just the past few months, however, virtually every large bank has capitulated. Chase, Citibank and Bank of America, in fact, are not just cooperating with Yodlee and the others but are rushing to crack this market themselves. The benefits to users are undeniable, allowing for the best of consolidation and the best of consumer choice all in one. "You can have best-in-breed services from a range of providers," says Marc Polling, who forecasts trends in financial services for the Yankee Group.

TREND NO. 4: SECURITY AND PRIVACY A DOUBLE-EDGED SWORD

Is the Internet safe? Very. And online transactions will become even safer. But what we gain in safety, we may lose in privacy. As money becomes a more amorphous entity, protecting it will become an even bigger priority for consumers and financial services companies alike. Online financial transactions are growing exponentially, but there are still floods of nervous consumers who would rather not risk exposing themselves to fraud by shopping, banking or investing on the Internet. American Express, for example, claims that 60% to 75% of consumers fear online credit-card fraud. Typically, consumers aren't liable for fraudulent use of their cards, only for the headache of reporting the crime and getting a new card. (See "The Best Ways to Pay Online" on page 106.) Even so, its in the best interest of the creditcard companies for you to feel as comfortable as possible so that you'll spend more money. Hence the debut of new whiz-bang security features that will provide an arguably redundant layer of security.

Smart cards. The world's two largest creditcard companies Visa and American Express-are launching competing versions of souped-up credit cards known as smart cards, which are designed to add an extra layer of protection. In October, American Express is set to start a new system called Private Payments, which enables consumers to pay for online goods using a randomly generated number in place of their own account numbers. The number, which is created by software you install on your computer, is good for only one transaction, meaning that even if someone intercepted the number, that person couldn't use it.

Visa's new *smart* *card*, which began rolling out in September, comes with a small digital reader that connects to your computer. Not only do you need your account number to complete the transaction, you also need your PIN number and the card itself. The magnetic strip on the back of the card will be able to store more than 100 times the amount of information it can hold now, enabling you, perhaps, to purchase an airline ticket online, download it directly to your Visa card, automatically add the miles to your frequent-flier account and sweep the card through a reader at the airport gate to board the plane, says Al Banisch, a senior vice president with Visa. He expects that within a year or two, swipers will be built into most

home computers.

Privacy. The visions expounded by guys like Banisch sound great. But then folks like him invariably start talking about the possibility of providing Web retailers with a record of your purchases so that they can offer you a discount on a product you might like. Amazon.com, in fact, has already developed its own sophisticated software that can analyze your purchase preferences and make recommendations based on them. And the company came under heavy fire recently when it disclosed that it releases, under certain circumstances, details of your profile to other firms.

Sure, there are ways to limit the information you provide (by altering your browser's settings not to accept "cookies," retrievable bits of software containing details about you that websites deposit onto your hard drive), but as Amazon points out in its privacy policy, "cookies allow you to take full advantage of some of Amazon.com's coolest features, and we recommend that you leave them turned on." This is just one example of what is increasingly sure to become the devil's bargain of the Net: Enjoying new technology and retaining your privacy will, more and more, become mutually exclusive activities.
Another example of the tenuous balance between security and privacy is the soon-to-beintroduced technology called automatic location identification, which will determine your geographic location, thanks to signals emitted by your *cell* *phone* . The benefits: You'll be able to quickly and easily find directions, or perhaps a good restaurant, based on exactly where you are. And in case of an emergency, the 911 operator will know, within a few yards, where to send help. But then there's a gray area of benefits, one that has wireless companies excited but may strike many phone users as an imposition. This new location technology, married with the phone's internal clock, might enable your *cell* *phone* to do things like offer you an instant *coupon* for, say, an Egg McMuffin while you're wallng past a McDonald's at 9:30 in the morning. "It's a development that's going to come to market in the next few years," says Adam Zawel of the Yankee Group, "and that's going to combine with these faster networks to create a whole new Internet experience." The Web pushing coupons? What can we say-not every manifestation of the Net revolution can be so lofty.

THIS IS THE FULL-TEXT.
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